

Message Text

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17

ACTION AGR-08

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COME-00 EB-07 FRB-03 INR-07 NSAE-00 RSC-01 TRSE-00

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FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 2029

INFO AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

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DEPT PASS TREASURY FOR ASST SEC'Y PARSKY

E.O. 11652: N/A

TAGS: EFIN, EINV, KU

SUBJECT: NOTES ON KUWAIT INTERNATIONAL INVESTMENT COMPANY

1. DURING HIS RECENT VISIT HERE TREASURY ASSISTANT SECRETARY PARSKY AND EMBOFF DISCUSSED GENERAL FINANCIAL AND INVESTMENT TOPICS WITH GENERAL MANAGER KUWAITI INTERNATIONAL INVESTMENT COMPANY (KIIC), MAGDI EL-TANAMLI. KIIC HAS BEEN IN EXISTENCE FOR ABOUT A YEAR AS A PRIVATE INVESTMENT COMPANY, AND TANAMLI SEEMED PLEASED AT COMPANY'S PERFORMANCE. HE CLAIMED THAT IT MANAGED MORE BOND ISSUES THAN EITHER KUWAIT INVESTMENT COMPANY (KIC) OR KUWAIT FOREIGN TRADING, CONTRACTING AND INVESTMENT COMPANY (KFTCIC) DURING LAST QUARTER 1974. KIIC ALSO EARNED TIDY PROFIT DURING ITS FIRST YEAR.

2. TANAMLI SAID GOK HAS SOME \$3-4 BILLION AVAILABLE FOR INVESTMENT, AND KUWAITI PRIVATE SECTOR HAS ABOUT 20-25 PERCENT AS MUCH FOR THAT PURPOSE. (THIS SOUNDS ABOUT RIGHT.) HE POINTED OUT THAT KIIC AS

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PRIVATE COMPANY COULD DO CERTAIN THINGS KIC AND KFTCIC WHICH PARTLY

GOK OWNED WOULD PREFER NOT TO DO. FOR EXAMPLE, HE SAID, KIIC HAS BEEN INVESTING IN IRAN. KIIC RECENTLY MADE \$40 MILLION LOAN TO HUNGARY WHICH HELPED BREAK ICE WITH RESPECT TO KUWAITI FINANCIAL ACTIVITY WITH EASTERN EUROPEAN STATES.

3. TANAMLI SAID US BUSINESSMEN HAD BEEN MORE CAUTIOUS IN SEEKING KUWAITI INVESTMENTS THAN JAPANESE COLLEAGUES WHOM TANAMLI DESCRIBED AS AGGRESSIVE AND PERSUASIVE. TANAMLI SAID THAT KIIC HAS BEEN WORKING MOST CLOSELY WITH FIRST BOSTON, SMITH BARNEY AND WHITE WELD AMONG US INVESTMENT FIRMS. WHIT WELD-CREDIT SUISSE HAS ADVISORY AGREEMENT WITH KIIC.

4. FOLLOWING PARSKY VISIT, MANAGING DIRECTOR KIC IN PRESENCE EMBOFF TOLD GROUP OF KUWAITIS THAT ON JANUARY 9 KIC PURCHASED 10,000 SHARES OF KIIC. THUS KIIC NO LONGER COMPLETELY PRIVATELY OWNED, BUT IT REMAINS SUBSTANTIALLY PRIVATELY OWNED. WE DOUBT THAT KIC SHAREHOLDING WILL NECESSARILY AFFECT KIIC POLICIES SINCE AS PRACTICAL MATTER ALL INVESTMENT COMPANIES HERE, PUBLIC AND PRIVATE, ARE SUSCEPTIBLE TO MINISTRY FINANCE AND OIL GUIDANCE AND ADVICE. EVEN KIC AND KFTCIC WHO THOUGH PARTLY GOK OWNED ALSO HAVE MANY PRIVATE SHAREHOLDERS GUIDED MAINLY BY COMMERCIAL CONSIDERATIONS AND DESIRE TO EARN PROFIT.
STOLTZFUS

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